

14 February 1968

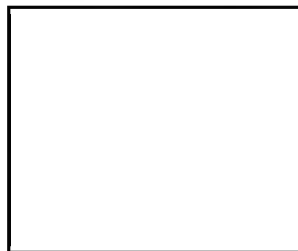
MEMO OF NEGOTIATION

SUBJECT: Amendment No. 12, Contract No. FH-7322

1. The purpose of this negotiation was to definitize spares lists 33 thru 35; 39; 40-1,-2, -3; 41-1,-2; 42-1,-2; and -43 *and the ECPs listed below.*

2. During the period 29-30 January 1968, a Government team consisting of [redacted] and H. Simon (DCAA Auditor) met at the contractor's facility. After a review of the items to be negotiated, technical discussions were conducted with the contractor to clarify certain points.

3. Cost negotiations were then conducted with the following persons attending:



Government



4. The following table outlines the contractor's proposal and the corresponding Government position on each item.

<u>Item</u>	<u>Contractor's Proposal</u>		<u>Government Position</u>	
	<u>Cost</u>	<u>Fee</u>	<u>Cost</u>	<u>Fee</u>
Spares Lists	[redacted]			
ECP 23A				
ECP 32				
ECP 33				
34				
35				
36	0	0	0	0

<u>Item</u>	<u>Contractor's Proposal</u>		<u>Government Position</u>		25X1A
	<u>Cost</u>	<u>Fee</u>	<u>Cost</u>	<u>Fee</u>	
ECP 37					
38					
39					
ECP 40					
41					
42					
ECP 43					

- NOTES: (1) ECP 23A was reduced based on adjustments in labor and G&A rates as well as a minor reduction in materials. However, since this ECP was considered by the Government to be 80% design deficiency, the target cost and fee were adjusted accordingly.
- (2) A reduction was made in the target cost based on rate adjustments. A major reduction in the target fee was made because the majority of the costs associated with this ECP were routed to a subcontractor and the initial Government position was that these subcontract funds should not receive full fee.
- (3) ECP's 33,37, and 40 were judged to be correction of design deficiencies, therefore, an increase in target cost and fee was not permitted.
- (4) ECP 43 was judged to be only 20% new scope and 80% for correction of design deficiencies. Therefore, reductions in target cost and fee were made accordingly. 25X1A
5. ~~5.~~ An initial offer of [] target cost and [] target fee was made by the Government. The contractor countered with an offer of [] cost and [] fee. At this time the Government made a counter offer of [] target cost and [] target fee. The contractor accepted this offer. 25X1A